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July 24, 2007

VIA E-FILING & HAND DELIVERY

Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Midwestern Telecommunications, Incorporated Application for Designation as an
Eligible Telecommunications Carrier for the Purposes of Receiving Federal
Universal Service Support Pursuant to Sections 214 (e)(2) of the
Telecommunications Act of 1996
Docket No. 2007-32-C

Dear Mr. Terreni:

Enclosed please find the original and one copy of the Responsive Testimony of James M. McDaniel in the above referenced docket.

Please note that the attached documents are exact duplicates, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

By copy of this letter we are also serving all other parties of record. Please let me know if you have any questions.

Sincerely,


C. Lessie Hammonds

CLH/pjm
Enclosures

cc: John J. Pringle, Jr., Esquire
Margaret M. Fox, Esquire

THE OFFICE OF REGULATORY STAFF
RESPONSIVE TESTIMONY
OF
JAMES M. MCDANIEL



DOCKET NO. 2007-32-C

**Application of Midwestern Telecommunications, Incorporated or Designation
as an Eligible Telecommunications Carrier for the Purposes of Receiving
Federal Universal Service Support Pursuant to Sections 214 (e)(2) of the
Telecommunications Act of 1996**

July 24, 2007

RESPONSIVE TESTIMONY OF JAMES M. MCDANIEL

BEFORE

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2007-32 –C

IN RE: MIDWESTERN TELECOMMUNICATIONS, INCORPORATED

Q. MR. MCDANIEL, WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?

A. My name is James M. McDaniel. My work address is 1441 Main Street, Columbia, South Carolina. I am employed by the Office of Regulatory. I hold the position of Program Manager – Telecommunications.

Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE?

A. I received a B.S. Degree in Engineering from the University of South Carolina in December of 1975. I was employed for over 28 years by the South Carolina Public Service Commission's (SCPSC) Utilities Department. In September, 2004, I began my employment with the South Carolina Office of Regulatory Staff in the Telecommunications area. Most of my career has involved the regulation of the telecommunications industry in South Carolina.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I have offered testimony in proceedings concerning ratemaking, rate design, depreciation, rule making, and complaints.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. The purpose of this testimony is to provide responsive comments to the direct prefiled testimony of Ikechuka Chinwah filed in this docket and pertaining to Midwestern

1 Telecommunications Inc.'s (Midwestern or the Company) Application for designation
2 as an eligible telecommunications carrier.

3
4 **Q. BRIEFLY SUMMARIZE YOUR INITIAL DIRECT TESTIMONY?**

5 A. In my initial testimony, I characterized the Application as incomplete and indicated that
6 the Office of Regulatory Staff of South Carolina (ORS) could not support the
7 Application. With regard to the Application, I discussed the deficiencies with
8 Midwestern's Application. The Application was incomplete in that it did not provide
9 information concerning how the company would use the federal universal support.

10
11 **Q: DID THE COMPANY PROVIDE CLARIFICATION IN THE DIRECT**
12 **PREFILED TESTIMONY REGARDING THE TYPE OF USF SUPPORT IT**
13 **WAS SEEKING?**

14 A. Yes. Through the testimony of Ikechuka Chinwah, Midwestern clarified its Application
15 to limit is eligible telecommunications carrier designation in order that the company
16 will receive federal universal support for Lifeline and Link-up Service.

17
18 **Q. IN LIGHT OF MIDWESTERN'S CLARIFICATION, DID YOU REVIEW ANY**
19 **ADDITIONAL INFORMATION?**

20 A. Yes. My initial comments were written with an underlying premise that Midwestern
21 was primarily seeking federal High Cost support. However, the Company clarified that
22 it was only seeking federal Low Income support. A review of the Federal
23 Communications Commission's (FCC) rules indicates that the rules do not make a
24 distinction between ETC designation for High Cost support and Low Income support.
25 However, after I reviewed Midwestern's responses to ORS's Continuing Data Request,
26 it appears that the company has received ETC designation in the states of Wisconsin,
27 Illinois, Florida, and Alabama. Midwestern provided copies of the Orders issued in
28 those states. The Florida Public Service Commission and Illinois Commerce
29 Commission specifically granted Midwestern's limited ETC designation which allowed
30 the company to receive only federal Low Income support.

Q. DID YOU CONTACT THE UNIVERSAL SERVICE ADMINISTRATIVE COMPANY TO SEEK CLARIFICATION CONCERNING ITS ABILITY TO DIFFERENTIATE BETWEEN ETC DESIGNATION FOR RECEIPT OF LOW INCOME SUPPORT AND FOR RECEIPT OF HIGH COST SUPPORT?

A. Recognizing the fact the FCC rules do not contain guidelines which address specific eligible telecommunication designation for a carrier to receive Low Income support, I contacted the Universal Service Administrative Company (USAC) to determine their ability to handle a limited ETC designation. I was informed that USAC can handle ETC designation solely for Low Income Support and does handle Low Income ETC designation for other states. Basically, USAC looks to the state for the type of ETC designation. USAC indicated that any ETC receiving Low Income support is required to comply with certification of its verification program on annual basis.

Q. IN REVIEW OF THE OTHER STATE ORDERS, DID ONE OF THOSE ORDERS SEEM MORE IN LINE WITH MIDWESTERN'S FILING IN SOUTH CAROLINA?

A. Yes. The Florida Public Commission Order discussed similar issues which were consistent with the statements made by Midwestern in its Application filed in South Carolina and through the testimony filed in support of this Application. The significant similarities are: (1) the Company solely requested ETC designation for the purpose of receiving federal Low Income Support; (2) the Company indicated that it was not seeking federal High Cost support; and (3) the Company was seeking ETC designation solely within the areas served by BellSouth now doing business in South Carolina as AT&T South Carolina.

Q. WERE THERE NOTABLE DIFFERENCES BETWEEN THE COMPANY'S SOUTH CAROLINA PROPOSAL AS OUTLINED IN MR. CHINWAH'S TESTIMONY AND ISSUES ADDRESSED IN THE FLORIDA ORDER?

A. Yes. On page 3 of Mr. Chinwah's direct testimony, he indicated that the Lifeline credit for its customers in South Carolina would be \$8.25 per month. In contrast, according to the Florida Order, Midwestern committed to provide an additional credit of \$3.50 to

1 Lifeline customers. This \$3.50 credit allows the company to take advantage of the
2 FCC's matching program which includes a 50% match of the credit given on the state
3 level. The FCC capped the 50% matching amount at \$1.75 per month. Doing this
4 maximizes federal support at \$10.00 ($\$8.25 + \$1.75 = \10.00) If a similar commitment
5 was made in South Carolina by Midwestern, then a qualifying South Carolina customer
6 would receive a credit of \$13.50 (\$10.00 federal support and \$3.50 company credit)
7 which is equivalent to the credit given by the incumbent local exchange carriers.
8

9 **Q. DOES ORS HAVE ANY CONCERNS WITH REGARD TO THIS**
10 **APPLICATION?**

11 A. Yes. Midwestern currently has the ability to offer Lifeline and Link-up Service through
12 the resale of BellSouth's Lifeline service and, if this Application is approved, to obtain
13 direct support through the federal Universal Low Income fund. ORS is concerned about
14 the potential for double recovery of Low Income support for a particular lifeline
15 customer. For example, if Midwestern were to a report resale lifeline customer, a
16 scenario where BellSouth would receive the support, to USAC then the Midwestern
17 could potentially receive Low Income support for the same customer. As an effort to
18 correct this situation, ORS recommends that the Company be required track the method
19 of providing lifeline services and provide measures to the Commission and ORS that
20 ensure the non-occurrence of double recovery. Also, there should be periodic reporting
21 with certification of how the company is providing lifeline service either on a resale
22 basis or through the use network elements obtained through a commercial agreement.
23

24 **Q. DO YOU FEEL THAT THEY THERE SHOULD BE ADDITIONAL**
25 **REPORTING REQUIREMENTS?**

26 A. Yes. Through Mr. Chinwah's direct testimony, Midwestern agreed to report certain
27 information if it were required to do so by the SCPSC. As a condition of obtaining
28 ETC designation, Midwestern agrees to provide service to all customers within the
29 service areas for which it seeks such designation. ORS recommends that the
30 Commission also require Midwestern to track and report all held or denied applications.
31 In the case of a denied Application, the company should provide an explanation why an

1 application was denied and, in case of a held application, provide reason for an
2 application held longer than 30 days. Also, ORS recommends that Midwestern be
3 required to use the same eligibility requirements for the areas for which it is designated
4 an ETC.

5
6 **Q. DOES ORS SUPPORT MIDWESTERN'S DESIGNATION AS ETC WITHIN**
7 **SOUTH CAROLINA?**

8 A. ORS supports the Application only to the extent that the ETC designation is limited to
9 receipt of support for the provision of lifeline service and only to the extent that proper
10 notice of the filing was provided. As stated in my direct testimony, ORS is only aware
11 of one publication in which Midwestern published the notice of filing, the Post &
12 Courier. ORS is concerned that this is not proper notice for the area in which
13 Midwestern seeks ETC status.

14
15 ORS has for sometime supported and promoted the availability of lifeline service for
16 qualifying consumers. The Commission has agreed and assisted with this effort through
17 the funding of an outreach program through the intrastate universal service fund. Since
18 this Application outwardly appears to promote the availability of lifeline service to
19 customers who have chosen alternative carriers for the receipt of telephone service,
20 ORS supports this Application.

21
22 In addition, as indicated in my direct testimony, ORS does not support this Application
23 for ETC designation in the event the Company seeks federal High Cost support because
24 Midwestern has not met the minimum requirements for such designation.

25
26 **Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?**

27 A. Yes.
28
29
30

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THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-32-C

IN RE:

Midwestern Telecommunications, Incorporated)
Application for Designation as an Eligible)
Telecommunications Carrier for the Purposes)
of Receiving Federal Universal Service Support)
Pursuant to Sections 214 (e)(2) of the)
Telecommunications Act of 1996)

CERTIFICATE OF SERVICE

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **RESPONSIVE TESTIMONY OF JAMES M. MCDANIEL** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

John J. Pringle, Jr., Esquire
Ellis, Lawhorne & Sims, P.A.
Post Office Box 2285
Columbia, SC, 29202

Margaret M. Fox, Esquire
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, SC, 29211



Pamela J. McMullan

July 24, 2007
Columbia, South Carolina